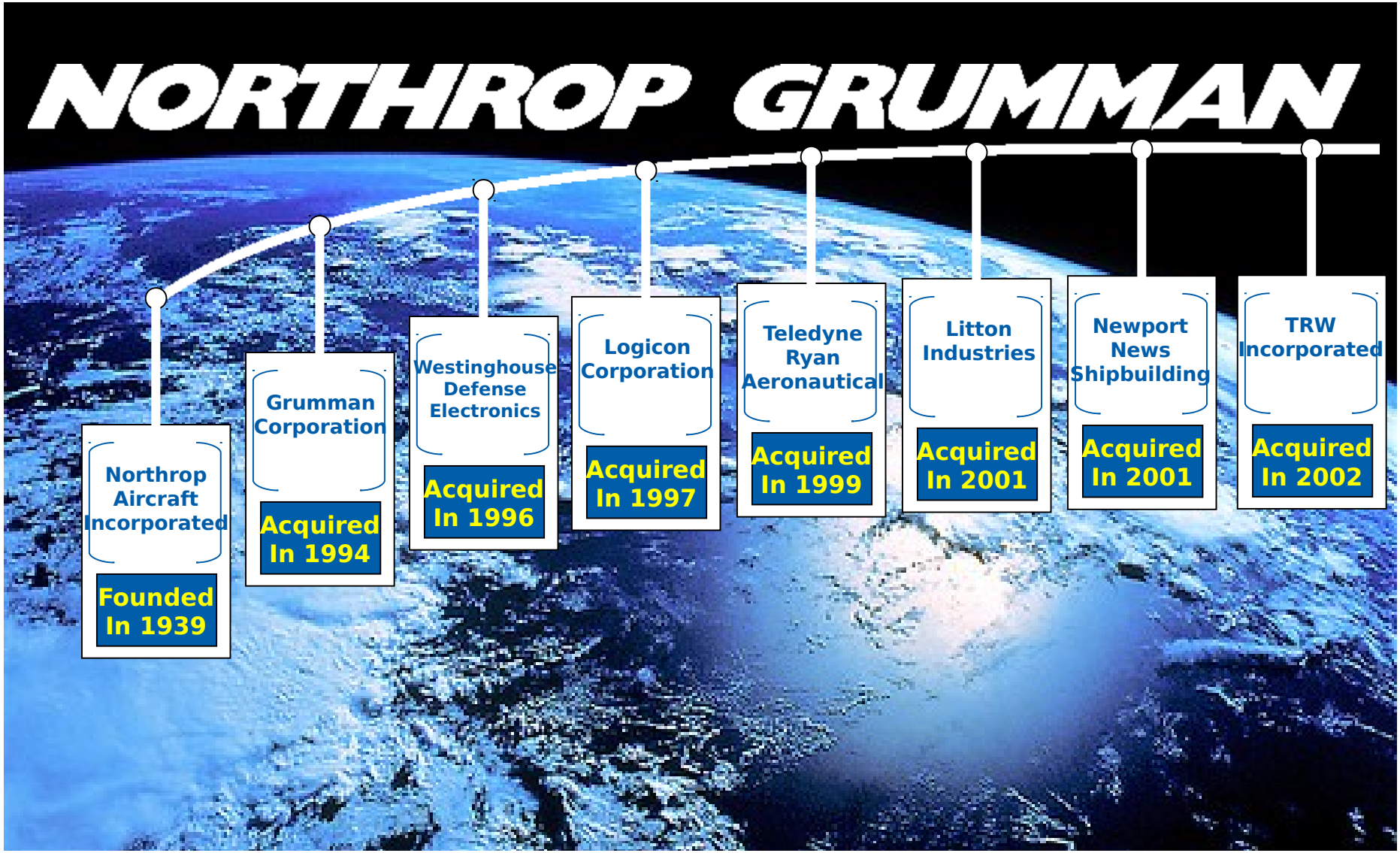
Parts Management System Initiative

October 29, 2008

Northrop Grumman Heritage



Common Commodities Management System (CCMS) Initiative

Parts Management

Reduce production type commodity costs and improve operational

efficiency by:

- An integrated parts search & selection identification and control process to reduce parts counts and purchase orders.
- An increased awareness during engineering development of the need to utilize common (or standard) parts along with an efficient system to facilitate personnel identifying those common parts.
- An improved Supply Chain Management approach to reduce inventory within Northrop Grumman and transfer that inventory to supplier through a Just-In-Time order and delivery process.

CCMS Activities

- Corporate Directive
- Common Process
- Common Part Numbers
- Sector Plans
- Corporate Plans
- Benchmark Industry Best Practices

Corporate Directive

- Develop Directive:
  - In the spirit of MIL-STD 3018.
  - Develop directive for standard engineering processes.
  - Describe corporate objectives for optimizing standardization of commodity parts and materials.

Common Process

- Engineering Standardization Process:
  - Use of standard parts lists / program parts lists.
  - New part approval process.
  - Defined engineering repository.
    - Configuration Controlled
    - Role Management
    - Engineering System of Record
  - Flow down to subcontractors.
    - Determine situations where flow down is appropriate

Common Part Numbers

- Part Number Methodology:
  - Determine if there is a financial justification for mapping sector part numbers to other sector part numbers.
  - Determine if there is a financial justification for developing a common set of part standards.
  - Use Industry Standard Part Numbers where possible.
    - Government / Mil Std Part Numbers
    - Industry Standard Part Numbers
    - Vendor Part Numbers (Sectors only initially)

Sector Plans

- Tactical Plans on Common Part Processes and Analysis.
  - Gap Analysis against Mil-Std-3018
- Roadmaps to be defined by each sector.
- Pilot Program – Connectors.
- Develop Metrics to monitor these Standard Parts Utilization initiatives.

Corporate Plans

- Corporate Engineering & Supply Chain team monthly reviews.
- Investigate use of a tool to identify parts across the corporation that have common characteristics.
- Develop infrastructure change that allows for a lightweight process to transfer inventory across sites, sectors, etc.
- Investigate the leveraging of current parts infrastructure across sectors.
- Develop and identify internal best practices in parts management.
- External Portal connectivity to the Defense Parts Management Portal (DPMP).

Benchmark Industry Best Practices

- Evaluate other Industries and Companies regarding Best Practices on Parts Standardization.
  - USG
  - Defense Contractors
  - Commercial Industry
  - Academia

Summary

- We are committed to a Corporate wide Parts Management process.
- Plans link into Corporate Supply Chain Initiatives.
- Anticipate substantial process implementation by end of 2009.